

**CHAPTER NO. 96**

**SENATE BILL NO. 2018**

**By Clabough, Atchley, Crutchfield**

**Substituted for: House Bill No. 2098**

**By Briley, McMillan, Head, Brenda Turner**

AN ACT to amend Tennessee Code Annotated, Title 56, Chapter 1, Part 2, relative to the authority of the Commissioner of Commerce and Insurance to regulate hospital and medical service corporations by the application of the same substantive standards applicable to accident and sickness insurers; relative to the authority of the Commissioner of Commerce and Insurance to require prior notice of at least one (1) year of the intent of a hospital and medical service corporation to convert to a for-profit entity; and to require that the boards of directors of hospital and medical service corporations comply with the same standards applicable to the boards of directors of nonprofit corporations pursuant to Title 48.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 56, Chapter 1, Part 2, is hereby amended by adding a new, appropriately numbered section which shall read as follows:

Section \_\_\_\_\_. (a) Notwithstanding any provision of this title to the contrary, the commissioner shall have the same authority to regulate and shall apply the same substantive standards to, hospital and medical service corporations licensed pursuant to Section 56-29-101, et seq., as shall apply to health insurers doing business pursuant to Section 56-26-101, et seq.

(b) Prior to engaging in any transaction or series of transactions the net effect of which shall be to effectuate the conversion by any method, directly or indirectly, of all or substantially all of the health insurance business of such nonprofit hospital and medical service corporation (measured by annual revenue on a consolidated basis) to a for-profit entity of any kind the equity interest of which is not wholly owned by such corporation or its insureds, such service corporation shall file with the commissioner a written notice of its intention to do so. The commissioner shall upon receipt of such notice forward a copy of such notice to the Governor and to the Speaker of the House of Representatives and the Speaker of the Senate. Such service corporation shall take no action to effectuate the completion of such conversion for a period of one (1) year from the date of such filing, or until the end of the next regular session of the General Assembly in the year following the year in which the notice is given in the event the one year period does not include a full, regular legislative session of the General Assembly.

(1) For the purposes of this section, the term "all or substantially all of the health insurance business" shall not include the sale of all or part of the assets of equity interest in a subsidiary company unless the subsidiary company shall constitute in excess of seventy-five percent (75%) of the total consolidated annual revenue of such service corporation as reflected on its annual statement for the preceding year.

(2) For the purposes of this section, the transfer of health insurance business of such service corporation shall not be deemed to


include the contracting or subcontracting of business or business functions.

(c) Notwithstanding any provision of law to the contrary, the board of directors of such service corporation licensed pursuant to Section 56-29-101, et seq., shall meet all of the requirements for boards of directors of nonprofit corporations pursuant to Section 48-58-101, et seq. To the extent that the provisions of Title 56, Chapter 29, conflict with the provisions of Title 48, Chapter 58, the provisions of Title 48, Chapter 58, shall control.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: May 1, 2003**

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 7<sup>th</sup> day of May 2003**

  
PHIL BREDEBEN, GOVERNOR